No. 375.

Brf. of Howe for Appellees

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JAN 21 1902
[illegible] H. KENNEY,
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THE SUPREME COURT

Filed Jan. 21. 1902.

OF THE UNITED STATES.

EXCELSIOR WOODEN PIPE COMPANY,
Appellant,
vs.
PACIFIC BRIDGE COMPANY AND CHARLES P. ALLEN,
Appellees.
} No. 375.

Appeal from the Circuit Court of the United States for the District of Washington, Northern Division.

JAMES B. HOWE,
A. R. TITLOW,
W. H. BOGLE,
Solicitors for Appellees.

THE SUPREME COURT

OF THE

UNITED STATES.

October Term, 1901.

EXCELSIOR WOODEN PIPE COMPANY,
Appellant,
vs.
PACIFIC BRIDGE COMPANY AND CHARLES P. ALLEN,
Appellees.
No. 375.

BRIEF FOR APPELLEES.

ON SUBMISSION OF CASE,

I.

APPELLATE JURISDICTION.

A motion has been heretofore filed in this cause by the appellees to dismiss for want of jurisdiction in this Court to hear and determine this appeal.

That motion is passed upon the following grounds:

First. The final decree of the Circuit Court from which said appeal was taken was made and entered on the 5th day of November, 1900; the then term of said

Circuit Court expired on the first Monday in December, 1900 (Act of Congress, approved April 5th, 1890), and no appeal was taken or asked for by said appellant, nor was any certificate of the trial court certifying the question of jurisdiction to this court asked for by appellant or given by said trial court during said term of court—the appeal herein having been asked for and the assignments of error filed on the 27th day of May, 1901.

Second. The question of the jurisdiction of the Circuit Court has not been certified by said Circuit Court to this Court for decision, as required by the Act of March 3rd, 1891, to confer jurisdiction of the appeal on this Court.

The order appealed from was rendered at the June term, 1900, of the Circuit Court, and was entered on November 5th, 1900.

Transcript, page 58.

The petition for an appeal to this Court was filed during the December term, 1900, on May 27th, 1901, and allowed on same day.

Transcript, pages 48–9.

Under the act of congress, approved April 5th, 1890, the Circuit Court of the United States for the northern division of the district of Washington, holds two terms annually, the June term beginning on the first Tuesday in June, and the December term beginning on the first Tuesday in December.

1. The authority of this court to review the action of the court below in this case must be found, if at all, in the first clause of sec. 5 of the judiciary act of 1891, authorizing appeals direct to this court "in any case in which the jurisdiction of the court is in issue; in such cases the question of jurisdiction alone shall be certified to the Supreme Court from the court below."

This Court has held so often that the absence of a certificate certifying the jurisdictional question is fatal to its appellate jurisdiction that it seems that question should now be considered finally settled.

Maynard vs. Hecht, 151 U. S., 324.
Moran vs. Hagerman, 151 U. S., 329.
Colvin vs. City of Jacksonville, 157 U. S., 368.
Davis vs. Geissler, 162 U. S., 290.
Merritt vs. Bowdoin College, 169 U. S., 551; S. C., 167 U. S., 745.
The Bayonne, 159 U. S., 687.

It is contended by appellant, however, that this rule is qualified by the decisions of this Court *in re* Lehigh Mining, etc., Co., 156 U. S., 322; Shields vs. Coleman, 157 U. S., 168; Huntington vs. Laidley, 176 U. S., 668, and State of Ark. vs. Schlierholz, 179 U. S., 598, and that, under the authority of these cases, no certificate is necessary "where the decree appealed from shows on its face that the sole question decided is one of jurisdiction, and where the record on appeal shows that the question presented to this Court for determination is one of jurisdiction."

Appellant's brief, page 7.

In Davis vs. Geissler, *supra*, the Court below entered an order that "It appearing to the court that this court has not jurisdiction of the subject matter of this action, it is ordered that this case be and the same is hereby dismissed at the costs of plaintiffs." To review that judgment a writ of error was sued out, but this court dismissed the case for want of appellate jurisdiction because the court below had not certified the question of jurisdiction to it, although it clearly and distinctly appeared in the order appealed from that a question of jurisdiction alone was decided by the lower court. In the case at bar, the order recites: "It appearing to the satisfaction of the court, upon an examination of the pleadings herein, that said suit does not really and substantially involve a dispute or controversy properly within the jurisdiction of this court, and that this court should not further exercise jurisdiction, it is therefore ordered and decreed that said suit be, and the same is hereby, dismissed for want of jurisdiction," etc. This order does not disclose what was the jurisdictional question upon which the lower court acted. The petition for an appeal—Transcript, page 48—petitions "for an order allowing it, Excelsior Wooden Pipe Company, to prosecute an appeal from said final order and decree dismissing said suit for want of jurisdiction, to the honorable Supreme Court," etc. It will be observed that this petition asks for an appeal from the final decree; it does not specifically ask to be permitted to appeal upon any question of jurisdiction, unless the fact that the order appealed from

recites that it is based upon a question of jurisdiction necessarily restricts the appeal to that question; nor does the petition attempt to specify what question of jurisdiction this court will be asked to review. The order allowing the appeal—Transcript, pages 48–9—sets forth the final decree in full, and allows an appeal therefrom, and directs the transmission of the entire record to this court.

Neither the order appealed from, the petition for an appeal, the order allowing the appeal, nor the assignment of errors, discloses what question of jurisdiction this court is asked to review. In Shields vs. Coleman, 157 U. S., 168, the essential requisite of the appellate jurisdiction of this court in this class of cases was defined as follows: "It is not necessary that the word 'certify' be formally used. It is sufficient if there is a plain declaration that the single matter which is by the record sent up to this court for decision is a question of jurisdiction, *and the precise question clearly, fully and separately stated.*" Tested by this rule, the appeal in the present case must fail.

In Huntington vs. Laidley, 176 U. S., 668, the order appealed from set out the facts out of which the jurisdictional question arose, and fully and clearly disclosed the precise question passed upon by the lower court; and the court below also separately certified that particular question to this court.

In re Lehigh Min. & M. Co., 156 U. S., 332, the question of jurisdiction was raised by pleas; and the circuit court, in its order sustaining the pleas and

dismissing the action, recited that it was "for reasons in writing filed herewith, as part of this order," thus disclosing the precise question decided; and the certificate in effect sent up the question of jurisdiction alone.

In Interior C. & I. Co. vs. Gibney, 160 U. S., 217, cited by appellant, the ruling was upon a plea presenting a single, definite question of jurisdiction upon the facts set up in the plea; and the petition upon which the writ of error was allowed asked only for a review of that ruling. In Van Wagenen vs. Sewall, 160 U. S., 369, cited by appellant, the appeal was dismissed because the order appealed from and the proceedings in taking the appeal did not clearly disclose the alleged jurisdictional question. So, in Chappell vs. U. S., 160 U. S., 499, the court refused to take jurisdiction for lack of a proper certificate indicating the jurisdictional question; and a similar course was followed in State of Arkansas vs. Schlierholz, 179 U. S. 600, also cited by appellant.

This court has held, in Colvin vs. City of Jacksonville, 157 U. S., 368, Davis vs. Geissler, 162 U. S., 290, and Merritt vs. Bowdoin College, 167 U. S., 745, and 169 U. S., 551, that this court does not acquire jurisdiction of an appeal from an order of the circuit court dismissing a case for want of jurisdiction. It is essential that, in addition to the terms of the order appealed from, there be either a separate certificate certifying the particular jurisdictional question to this court, or some order of the trial court in granting the appeal which indicates the jurisdictional question

with sufficient certainty, clearness and fullness to be equivalent to a formal certificate; and this certificate, or the order allowing the appeal, must distinctly send up the jurisdictional question alone for review in this court.

In Maynard vs. Hecht, *supra*, this court held that the certificate required by the 5th section of the judiciary act of 1901, was analogous in this respect to the certificate of division of opinion in civil causes under sections 650, 652 and 693 of the Revised Statutes. Under these sections, this court has frequently held that the certificate must define the precise question of law which is certified, and that this court will not search through the pleadings to ascertain the question presented to it. Thus, in United States vs. Northway, 120 U. S. 327, it was held that a certificate certifying the question, whether either of the counts in an indictment charged the defendant with an offense under the laws of the United States, was too vague and general to invoke the jurisdiction of this court. In the present case, in its most favorable aspect for appellant, the question presented to this court, namely, whether under all the allegations of the complaint and of the answer and of the replication, said suit really and substantially involved a controversy properly within the jurisdiction of the circuit court, is more vague and general than the question whether a count in a particular indictment charged an offense under the laws of the United States.

2. If the petition for appeal and the order allowing the same, could otherwise be treated by this Court as equivalent to a certificate, they are unavailing for that purpose in the present case, because they were not entered until the term subsequent to that in which the decree was rendered. As heretofore stated, the decree was rendered November 5th, 1900, being the June term of the court; the order allowing the appeal was entered at the following December term, on May 27th, 1901. No steps looking to an appeal to this court were taken during the June term. On the contrary, an appeal was first taken to the Circuit Court of Appeals, and it was only after that court had dismissed the appeal that the petition for an appeal to this court was presented.

The appellant contends that an appeal may be taken to this court at any time within two years from the entering of the final decree, citing Holt vs. Ind. Mfg. Co., 176 U. S., 68. That is doubtless true where the appeal, as in the case cited, is on other than a jurisdictional question; but this court has frequently decided that the certificate of the lower court certifying the question of jurisdiction on appeal must be executed during the term at which the decree appealed from was entered.

Colvin vs. City of Jacksonville, 158 U. S., 456.
The Bayonne, 159 U. S., 687.

If, after the expiration of the June term, 1900, and the beginning of the December term, the lower court

was without authority to formally certify the question of jurisdiction to this court, its order entered May 27th, 1901, if otherwise equivalent to the requisite certificate, must be held to be unavailing for lack of authority in the court at that time to make such certificate.

For these reasons, we think the appeal should be dismissed.

II.

JURISDICTION OF CIRCUIT COURT.

If this court sustains its appellate jurisdiction, we contend that the decree of the court below was correct. The complainant and the defendant Bridge Company are both California corporations.

The bill of complaint was filed by an alleged licensee against the patentee and a third person, and alleged, in substance:

1. The issuance of letters-patent to defendant Allen.

Par. 1–6, bill.

2. That defendant Allen granted an exclusive license to complainant's assignor to make and sell the patented articles within certain limited territory, including the state of Washington, which license was, with Allen's consent, transferred to complainant before the acts complained of were committed:

Par. 7–9, bill.

3. That complainant, since said assignment, has been and still is the exclusive licensee of said Allen within said territory.

Par. 10 of bill.

4. That complainant has preserved its monopoly in said territory, prosecuted the business of making and selling the patented articles, and has continued to use the patent and to supply the trade with said articles, etc.

Par. 11 of bill.

5. That the validity of the patent has been established at law:

Par. 22–15 of bill.

6. That defendant Allen and the Bridge Company have jointly committed acts of infringement within the prescribed territory.

The joint answer of the defendants, in substance, admits:

1. The issuance and validity of the letters-patent, and ownership by defendant Allen.

2. The making of a contract between defendant Allen and complainant's assignor, giving to complainant's assignor an exclusive license to make and sell articles embodying the patented invention in the territory described, upon certain terms and conditions set out in the answer; and

3. The doing of the acts claimed to be infringe-

ments. And the answer thereupon denied

(a) The present subsistence of the license contract.

(b) Denied that complainant had preserved the monopoly thereby given to it; and

(c) Denied that it had continued to use the license or to prosecute the business secured by it; and pleaded abandonment of the contract of license by complainant, forfeiture of all rights thereunder by failure and refusal to comply with its terms and conditions, and by acts of gross bad faith toward the patentee by seeking to defeat the patent and to destroy its monopoly; and revocation of the license by Allen for cause in pursuance to the terms of the contract—all before the alleged acts of infringement.

A general replication was filed by complainant.

From this short analysis of the pleadings it will be seen that the bill of complaint tendered two classes of issues, viz:

First. Those relating to the issuance and validity of the letters-patent, and the acts charged as infringements.

Second. Those relating to the contract between Allen and the complainant, under which contract complainant claimed to have certain contract rights in the letters-patent, and to protection as such. The answer admits all of the allegations relating to the first class of issues tendered, and takes issue on those averments relating to the contract between the parties and its present existence.

There is no controversy between the parties as to the validity or existence of the letters-patent, nor as to whether the wooden-pipe used by the Bridge Company embodies the invention covered by the patent. The only controversy or issue developed by the pleadings grows out of the contract between complainant and Allen; and we insist that the court below properly held that such controversy was not "properly within the jurisdiction of the circuit court." The question in dispute between complainant and Allen depends entirely upon the construction of the contract between them and the effect upon the rights of the parties under the contract of the matters set up in the answer; and these questions depend altogether upon general principles of common law, and not upon the patent laws.

Wilson vs. Sanford, 10 How., 99.
Hartell vs. Tilghman, 99 U. S., 547.

The contention of appellant that it is the bill alone to which the court must look to determine the question of its jurisdiction of the controversy is not borne out by the previous decisions of this Court. In Hartell vs. Tilghman, *supra*, the bill alleged letters-patent owned by complainant, and infringement by defendant, and prayed for injunction, an accounting and damages only. In the syllabus to that case the principle decided is thus stated: "A suit between citizens of the same state cannot be sustained in the circuit court as arising under the patent laws of the

United States, where the defendant admits the validity and his use of the letters-patent, and a subsisting contract is shown governing the rights of the parties in the use of the invention. Relief in such suit is founded on the contract, and not on those laws." In the present case, the defendants admit the validity and their use of the letters-patent; and the complainant itself pleads a contract which it claims is subsisting, and that it governs the rights of the parties in the use of the invention. What Federal statute or principle of patent law is involved in the determination of the rights of the parties under this contract? Absolutely none. Appellant contends that the contract pleaded is its muniment of title; and that the complainant's title is necessarily involved in an action for infringement; and he cites Littlefield vs. Perry, 21 Wall., 205; Atherton Mach. Co. vs. Atwood M. Co., 102 Fed., 949; Waterman vs. Shipman, 55 Fed., 982.

In Littlefield vs. Perry, the answer raised questions involving the validity of the patent (page 217). The extent of the decision in that case is that a licensee has such rights as enable him to maintain an equitable action against his licensor; and if such action involves questions arising under the patent laws, the Federal court has jurisdiction. So, in Waterman vs. Shipman, one of the defenses was want of novelty in the invention. The issue on that question was of course triable in the circuit court, and gave it full jurisdiction of the case. The case of Ather-

ton Mach. Co. vs. Atwood M. Co., is distinguishable from the present one in two respects; first, in that case the complainant was an *assignee*, not merely a licensee under a contract, and the court specifically pointed out that as an assignment of letters-patent are provided for by the statutes relating to patents (sec. 4884 and 4898 Rev. Stat.), a controversy over the validity or construction of such an assignment is one arising under and involving the construction of those statutes. Contracts granting a mere license, however, although conferring upon the licensee certain equitable property rights which are enforceable in any appropriate equitable tribunal, are not provided for by the Federal statutes relating to patents, and, consequently, a controversy over their construction and validity does not involve any question of patent law. Second, in the Atherton case the assignor of the plaintiff was not a party to the action, and hence the court held that any question as to the validity or construction of the assignment was collateral, and did not give character to the case. In the case at bar, the licensor is one of the defendants, and the issue as to the present existence and proper construction of the license contract, and the effect thereon of the acts of the parties thereunder as pleaded in the case, is not a collateral, but is the main and only issue in the case. No support is found in that case for the contention that a license can invoke Federal jurisdiction in a controversy with his licensor over

the construction of his contract upon the ground that the contract relates to letters-patent.

In an ordinary suit by a patentee, or an assignee, alleging letters-patent, title, infringement by defendant, and damages or profits, every question presented involves the patent laws, because the title of a patentee or an assignee is derived under the patent laws; and in such case it may be true that the jurisdiction is not defeated by an answer setting up defenses under a contract. We apprehend that the Court would retain jurisdiction to determine whether such contract existed. Such we understand to be the ruling of this court in White vs. Rankin, 144 U. S., 628; and, as there stated, if the court finds that such a contract does exist, then it should dismiss the case as one not involving a dispute or controversy properly within its jurisdiction. But where, as in the case at bar, the complaint itself asserts rights under a contract not covered by the statutes relating to patents, a non-Federal question is presented by the bill itself; and if, when the pleadings are made up, it is disclosed that the only dispute between the parties arises out of the construction of this contract, the case is brought within the principle of Hartell vs. Tilghman, *supra*.

The Court of Appeals of New York, in a case brought by a licensee against an assignee of the patentee, seeking to enjoin the assignee from manufacturing and selling the improvements in violation of the rights granted to the licensee by the contract, and

for damages, maintained the jurisdiction of the state court upon the ground that the case did not arise under the patent laws.

Mayer vs. Hardy, 27 N. E. Rep., 837.

That case is quite similar to the one at bar, and is a complete answer to the suggestion that the complainant is without remedy except in the Federal courts. Inasmuch as its rights, if any it has, come through its contract with Allen, there is no hardship in remitting it to the tribunals having jurisdiction over controversies growing out of contracts. That a patent right is the subject matter of the contract gives no right to Federal relief.

If, instead of a license to make and sell articles under letters-patent, the complainant held a long term lease from defendant to real estate acquired by defendant from the United States under the land laws, and a dispute arose between them as to the construction or present validity of such lease, it would not be contended that the circuit court would have jurisdiction of that controversy, on the ground that complainant's lessor acquired title under Federal laws. Before jurisdiction could be entertained by the circuit court, it would be necessary to present a controversy involving those laws. So long as the nature and character of the estate which passed to the grantee of the United States was not involved in the dispute, the circuit court would properly refuse to entertain jurisdiction, and leave the parties to seek their remedy

in the state courts for any violation of the terms of the lease or deprivation by the lessor of the rights of the lessee thereunder. Nor could the complainant "create a case" cognizable by the circuit court by referring in his pleadings to the land laws as the source of his title, and alleging rights thereunder, if the answer disclosed that the only dispute was over the lease. And in Hartell vs. Tilghman, this court stated that the analogy between the land laws and the patent laws, as a source of jurisdiction in Federal courts was complete.

The rule deducible from the decisions of this court may be fairly stated as follows: Where the plaintiff in his pleadings discloses a contract with defendant, and defendant admits the validity and use of the patent, but takes issue on the terms and construction of the contract, the case is one on contract and does not arise under the patent laws, although the plaintiff seeks relief by injunction, accounting and damages; but where the plaintiff does not disclose any contract with defendant, and sets up letters-patent, title and infringement, and defendant pleads a contract as the justification of his acts, the court will retain jurisdiction so far as to determine whether such contract does in fact exist, but will not determine the rights of the parties under the contract, if one is found. To the first class belongs the case of Hartell vs. Tilghman, *supra;* to the second belongs White vs. Rankin, 144 U. S., 628.

In this last case, this court very clearly intimates that if a contract governing the rights of the parties is pleaded by defendant and denied by plaintiff, the

the court should proceed to determine the fact, and, if its existence is established as a fact, dismiss the case as one not properly within its jurisdiction.

McMullen vs. Bowers, 102 Fed., 494, a case decided by the Circuit Court of Appeals for the Ninth circuit, is in point. Bowers was the patentee of an improvement in dredgers, and he gave an exclusive license to "make and use" the improvement within certain territory to a corporation; that corporation built a dredger embodying the improvement and used it in the prescribed territory; subsequently the corporation became insolvent, and the dredger was sold and purchased by Concannon, who moved it out of the territory covered by the license and used it in another territory. The bill was by Bowers, the patentee, against Concannon and others, and alleged, in substance, 1, the patent and its validity; 2, the license and its limits territorially; and, 3, the use of the dredger by defendants outside of the licensed territory, which act was alleged to be an infringement. The answer admitted (1) the patent and its validity, and (2) the doing of the acts charged as infringements; and it took issue on the construction of the license and the effect thereon of the subsequent acts of the parties. The case was dismissed by the court on its own motion, for the reason that the only controversy in the case was over the contract of the parties.

In M. & H. Trading Co. vs. Glaenzer, 30 Fed., 387, the bill was by a licensee against an agent of the

owner of the patent. The bill alleged the license of complainant; that the owner of the patent unjustly claimed that the license had become forfeited; that defendant, as agent of the owner, was selling the patented articles in disregard of complainant's rights. The answer admitted the patent and the sale of the patented articles by defendant, and denied that complainant had any cause of action, and asserted that his rights under the license had terminated by reason of the non-performance of one of the conditions of the license before the alleged acts of infringement. The court held that the rights of the parties depended wholly upon common law and equity principles as applied to the contract stated in the bill, and dismissed the case. In that case the bill not only set up the contract of license under which complainant asserted his rights, but went further and alleged that the pretense of defendant that the license had been terminated was unjust and unfounded; while in the case at bar, the complainant contented himself with pleading the contract under which he claims, and averring that it has been preserved and maintained as a subsisting contract. In other respects, the pleadings in the two cases are substantially identical.

Under the 5th section of the judiciary act of 1875, making it the duty of the circuit court to dismiss a suit whenever at *any time after the suit is brought* it becomes satisfied that it does not really and substantially involve a dispute or controversy properly within its jurisdiction, the trial court must necessarily look

to the entire pleadings to ascertain what is the matter in dispute or controversy. This statute evidently intends that the trial court is to determine its jurisdiction from a consideration of the nature and character of the dispute or controversy disclosed during the progress of the case by the entire pleadings.

Robinson vs. Anderson, 121 U. S., 522.

Respectfully submitted,

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